

{As Prepared for Delivery}

**Farm Credit Council
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**Thomas C. Dorr
Under Secretary for Rural Development
Keynote**

Thank you. It's a pleasure to be here today.

**Let me begin – First, on behalf of President Bush and Secretary
Johanns, -- by expressing our appreciation for what each of you do
every day to make rural America a better place to live, work, and raise
a family. Also, we wish to extend our appreciation for the creative and
innovative approach you are taking to foster new growth in rural
America.**

**As a lifelong corn farmer from Iowa, I know what you went through in
the 80's. I know what the Farm Credit System has meant to rural
America. When the system was established, it filled a real void. It
essentially created the modern world of farm finance. And once again**

**you are adapting to the markets and opportunities of not just today –
but tomorrow.**

**For nearly a century, the System has been part of the foundation ... one
of the things that made America work. It still is today. And as a
competitive force, you've pushed others to continually evaluate their role
in rural America.**

**I'm also delighted to be here because we are partners. We are partners
for rural development ... partners in revitalizing rural communities ...
partners for expanding economic opportunity.**

**And it is my hope that partnership will be of continuing importance as
we work together to meet the challenges facing rural America in the
years ahead.**

[RD OVERVIEW]

Many of you, I am sure, are already familiar with USDA Rural Development. In fact, we're probably doing business with many of you right now.

Our mission is simple – but never ending - is to increase economic opportunity and improve the quality of life in rural communities. That is every bit as broad as it sounds. Our statutory mandate makes us the leading federal advocate for rural America. We administer over 40 programs ranging from housing to infrastructure to business development.

In 2006, we will leverage roughly \$2.5 billion in budget authority to support over \$17 billion in investment in rural communities. The running total since 2001 exceeds \$63 billion invested and over 1.1 million jobs created or saved. The numbers do add up.

Today, we have a \$90 billion portfolio.

Our mission -- like yours -- has evolved over time. In the beginning, during the Depression era, my predecessors at the Resettlement

Administration and the Farm Security Agency were concerned largely with emergency relief and farm stabilization.

Today, USDA Rural Development is an economic and community development organization. Increasingly, we function as a venture capital entity. We've grown up with rural America. In fact, when it comes to rural electrification, water, wastewater, and telephone service, we built the rural America of today. And we have learned a great deal along the way:

- **Today we recognize that sustainable development must be market driven, not program dependent. We're reorienting our programs toward market disciplines, both internally and externally.**
- **We want to be an investment banker for rural America, not a central planner or a lender of last resort. Our role is to support, encourage and empower local initiative, both public and private – and in the course of these efforts to be a collaborator with you.**
- **We also understand that money is part -- but only part -- of that role. We can't pay for everything, everywhere, every time -- and**

we don't want to. Rural America doesn't need Potemkin Villages that wither and die the moment the subsidy plug is pulled. What it does need is viable businesses, self-sustaining communities, and young families eager to build a future.

- Our success, therefore, depends on partnerships -- and we know that to be a good partner we must be flexible and accountable.**
- Last but not least, we have an unmatched delivery system of 800 local offices, and we intend to build on that asset. We think we can make smarter decisions by empowering our staff in the field than by making all the calls from inside the bubble in Washington, D.C. These associates in the field are your neighbors, friends and peers. They know what is going on in their communities.**

This means, as a practical matter, that the important thing for you to do is NOT to come see me in D.C. The important call is to your Rural Development State Director back home. That's the key person you need to know to do business with us, and if you haven't already, I hope you'll make that call as soon as you get home.

That's a thumbnail sketch, but I trust it is familiar territory. Bottom line: we are going to invest about \$17 billion in rural America this year in everything from ethanol plants and wind farms to affordable housing to rural hospitals to water treatment to broadband access. Largely they're loan guarantees – originate at the local level by your association and competitors.

I don't have a crystal ball and I can't tell you what that figure will be next year or the year after. That's for Congress to decide.

But clearly we do bring significant resources to the table – enough that we need to be thinking pro-actively and strategically about our role.

And the question for us – as it is for you – is:

- **Where do we go from here?**
- **Where are the opportunities?**
- **What should we be doing today as a lenders and as an economic developers to maximize the return for rural America?**

[CHANGES & CHALLENGES]

These are important questions, and the answers aren't always obvious.

The world is changing. And the change is, if anything, accelerating.

- **In a single lifetime, we've gone from farming behind a mule to gene splicing. We've seen incredible productivity increases.**
- **We've gone from over 6 million farms at the end of WWII to 2 ¼ million today. Of those, 175,000 produce most of our food and fiber.**
- **We've seen the hollowing out of farm towns and the depopulation of rural counties caught on the wrong side of technological change.**
- **But, on the other side of the ledger, we've seen the erosion of old barriers of time and space ... remarkable new possibilities unleashed by modern technology ... and the emergence of a new energy industry with unlimited potential.**

In fact, rural America includes many of the most dynamic, fastest growing counties in the country today.

- **Last but not least, due to globalization and connectivity, we see competition, that our grandparents could never have imagined.**
 - **Since the fall of the Berlin Wall, between 2 and 3 BILLION people have joined the world market system. Many of them are formidable competitors. They will also be great customers if we can win their business.**

In sheer numerical terms, this is the greatest expansion of economic freedom and opportunity in human history. Of course it poses challenges. Competition always does.

But this is, in fact, what we fought the Cold War to achieve.

We have turned enemies into competitors and customers.

Ready or not, this is what victory looks like.

- **At the same time, we are on the leading edge of a new world in which every person is going to be connected -- more-or-less instantaneously -- with everyone else. Whether we want to or not, we will be competing with everyone in the world with similar skill sets and a modem. The upside is that our potential customer base will be just as broad.**

But ready or not, the changes are coming, The old saying was, “you can run but you can’t hide.” Today, with information flowing across the internet at the speed of light, you can’t even run anymore.

And you certainly can’t hide in rural America, because globalization and connectivity are just as real in my hometown of Marcus, Iowa, as they are in New York or Chicago or Phoenix. Brazil grows soybeans, China makes widgets, India writes software, and markets price competitively. We can’t hide. Neither can anyone else.

Change is a double edged sword. It’s a threat to those who aren’t prepared. It brings opportunity to those who are. But either way, it’s coming -- and our mission today, as an economic development agency, is to put rural America on the winning side of the change equation.

[FARM BILL FORUMS]

This is a big change in mission and vision, and we're working through it on several levels. Earlier in 2005, President Bush and Secretary Johanns decided for the USDA to conduct a series of Farm Bill Forums to engage rural stakeholders in this discussion, in preparation for the next Farm Bill in 2007. Some of you may have participated in this process.

Over 50 Forums have been held. We are now evaluating the hundreds of comments and suggestions that were made. This will be finished this Spring, and by mid- to late Summer, Secretary Johanns expects to be able to forward comprehensive draft comments to the White House.

On some questions, therefore, I simply have to punt for the time being. There is a lot of work yet to be done before the President makes his recommendations to the Hill, and before Congress finally writes the bill. I simply don't know what the President will propose and what Congress will do regarding -- for example -- the commodity support programs.

[NEW PARADIGM]

But I have been walking around and kicking the tires on Farm Policy issues most of my life. And it's clear to me – whatever Congress eventually does on supply management, price supports, and trade -- that we are reaching a tipping point in agricultural and rural policy.

The basic fact is that agriculture is no longer the primary driver of the rural economy. 65 million people live in rural America. 63 million of them don't farm. 96% of rural income is from non-farm sources. In fact, about 90% of farm family income is from non-farm sources.

This requires a mental shift for policymakers, but it can't be ignored. While farming is and will remain vitally important ... and while we intend that American agriculture to remain a world leader ... the engines of growth in the 21st century rural economy in fact will likely lie elsewhere.

Three things in particular stand out as transformative. These three factors are connectivity, energy, and something that I call “place.”

[PLACE]

“Place” is my own term -- you may think of a better one -- for the quality of life considerations that attract so many of us to rural areas to live, work, and raise our families.

“Place” is peace and quiet, green fields, and clear streams. It’s lower taxes and a lower cost of doing business. It’s affordable housing and a big yard for the kids. It’s the pace of life, low crime, and good schools.

These things are significant rural comparative advantages. Because conversely, I’ve never seen a real estate ad boasting about a tiny house, high taxes, noise, crime waves, and a three hour commute.

Rural communities that can provide good jobs, quality health care, and good schools are great places to live. Given the chance, people will vote with their feet. Our job is to help empower that choice by investing in the infrastructure and business development that makes it possible.

We also have to encourage all of you as financiers and local leaders to foster the policies necessary to accommodate these changes.

A second, related opportunity for rural communities arises from the communications revolution, especially broadband.

IT is producing the most radical decentralization of information in human history. Today, data can be shared easily across great distances.

We no longer need everyone in the same building so they can talk, or shuffle paper from desk to desk. Administrative structures, manufacturing, and distribution networks can be decentralized.

To a degree unprecedented in history, people are going to have real choices about where to live and how to work. From a rural development perspective, this leverages “Place.”

Bottom line -You can live locally and compete globally:

- **TOM PFOTZER EXAMPLE**
- **PLAINS, MONTANA EXAMPLE**

Sooner or later, organizations will adapt. They will have to. At the Department of Agriculture, for example, we have employees in carpools departing at 4:30 in the morning for three hour commutes. Many of them are carrying laptops and Blackberries and telecommuting from their vanpools on wireless networks -- just because the office says they have to warm a seat 8 hours a day.

That's really not a satisfactory arrangement if your job is computer based and you could be at work each morning with the click of a mouse.

A generation from now, our grandchildren will be scratching their heads and wondering how we ever managed to live the way we do.

Broadband makes rural communities more competitive than they have been in generations. It opens the door to everything else. These things don't change overnight, but the spatial organization of America is being reengineered ...

... And I am convinced, if we do our jobs right, that smaller cities, small towns, and rural areas indeed have a very bright future in store.

[ENERGY]

Finally, rural America has a major new cash crop – energy. We’ve waited a long time for this. Energy has been a political football for 30 years. But talk is cheap. If speeches and press releases produced energy, the energy crisis would have been solved long ago.

The barrier to renewable energy has been price. Today, \$50-60 per barrel oil has changes the equation. Alternative energy is taking off:

- U.S. ethanol production this year exceeded 4 billion gallons. The 7.5 billion gallon renewable fuels standard will keep that growth on track.**
- Biodiesel has soared from about 5 million gallons in 2001 to 25 million last year.**
- U.S. wind power capacity by the end of last year reached 6,740 Megawatts, and another 5,000 MW are currently under construction or in negotiation.**

- **The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020. That's an extrapolation of current growth rates.**

Energy from agriculture, in fact, offers the rural economy its biggest new market in history. And this isn't just a way of turning on the lights and filling up the gas pump. It means investment, good jobs, opportunities for young people, and the recirculation of capital through rural communities across the nation. If we are smart and adaptive enough to capture them.

When we reach the point at which we are fueling our cars with ethanol from the Midwest instead of petroleum from the Mideast, we will have turned a corner in more ways than one.

[CONCLUSION]

To sum up, I am an incurable optimist about the future of rural America. I am an optimist about energy from agriculture. I am an optimist about the decentralizing implications of IT. I am an optimist

about the attractions of the rural quality of life. This is a powerful combination. With leadership, determination, and hard work, it's a winning hand for rural America in the next generation.

Yes, we face challenges. Standing still isn't an option, not in an era of globalization and connectivity-driven competitiveness. But our opportunities are even greater than our challenges, if we have the vision and the will to pursue them.

I am confident that we will, and I look forward to working with you to get the job done. Thank you.